



# Pension Fund

of the Christian Church  
*strong. smart. secure.*

## 2020 Fact Sheet: Required Minimum Distributions Tax-Deferred Retirement Account (TDRA)

This fact sheet explains Pension Fund's policies and procedures for calculating and distributing required minimum distributions (RMDs) to members in the Tax-Deferred Retirement Account (TDRA). Retirement plans like the TDRA are required to comply with the RMD rules under Section 401(a)(9) of the Internal Revenue Code.

**DEPENDING ON YOUR AGE, RECENT CHANGES IN THE LAW MAY AFFECT THE DATE ON WHICH YOU MUST BEGIN TO TAKE DISTRIBUTIONS FROM THE TDRA. IT IS IMPORTANT THAT YOU CAREFULLY REVIEW THE FOLLOWING INFORMATION TO DETERMINE IF THESE CHANGES IMPACT YOU.**

### GENERAL INFORMATION

Federal law requires TDRA members who have retired or separated from service to begin receiving distributions from their account in certain minimum amounts by specified dates. If you are a TDRA member, you must begin receiving RMDs as follows:

If you were age 70 ½ (or older) <u>before</u> January 1, 2020:	If you were <u>NOT</u> age 70 ½ (or older) <u>before</u> January 1, 2020:
<p>You must receive your first RMD by April 1 of the calendar year following <u>the later of</u> -</p> <ul style="list-style-type: none"> <li>the calendar year in which you reach <b>age 70 ½</b>, or</li> <li>the calendar year in which you retire or separate from service with your employer (and, if your employer is a church, with all other churches eligible to participate in the TDRA).</li> </ul>	<p>You must receive your first RMD by April 1 of the calendar year following <u>the later of</u> -</p> <ul style="list-style-type: none"> <li>the calendar year in which you reach <b>age 72</b>, or</li> <li>the calendar year in which you retire or separate from service with your employer (and, if your employer is a church, with all other churches eligible to participate in the TDRA).</li> </ul>

After your first RMD, you must receive a RMD by the end of each year until your entire account balance has been distributed. The penalty for not doing so is severe. If you do not receive a distribution that satisfies these minimum requirements, you must pay a nondeductible 50% tax on the amount that you should have, but did not, receive. Distributions from an IRA or any other employer plan do not satisfy the RMD requirements for the TDRA. It is your responsibility to make certain that an RMD is timely distributed to you.

**In light of the recent changes to the law, here are examples of how the timing rules for RMDs may apply to you:**

- If you reached age 70 ½ in 2019, and you retired in 2019 (or in an earlier year), you must receive your first RMD by April 1, 2020, to satisfy the requirement for 2019.
- If you reached age 70 ½ in 2019 (or in an earlier year), and you retire in 2020, you must receive your first RMD by April 1, 2021, to satisfy the requirement for 2020.
- If you reach age 70 ½ in 2020 (or in a later year), and you retired in 2019 (or in an earlier year), you must receive your first RMD by April 1 of the calendar year following the calendar year in which you reach age 72.
- If you reach age 70 ½ in 2020 (or in a later year), and you retire in 2020 (or in a later year), you must receive your first RMD by April 1 of the calendar year following the later of the calendar year in which you reach age 72 or retire.

If 2020 is your first year for an RMD, however, you may choose to receive your RMD in 2020 or 2021. If you elect to delay your first RMD until 2021, you also must receive a second RMD by December 31, 2021, to satisfy the requirement for 2021.

**Note:** If you are still working for your employer past age 70 ½ (or past age 72 with respect to members who reach age 70 ½ after December 31, 2019) and have not started your Pension Plan benefits, you do not need to receive a RMD from your TDRA account. ***Please notify Pension Fund if this is the case for you.*** Once you do retire or sever employment, however, you must receive your RMD by April 1 of the calendar year following the calendar year in which you retire or sever employment.

After RMD payments have begun, you will remain subject to the minimum distribution requirements, *even if you return to work in a paid position (e.g., as an interim pastor).*

## **SATISFYING THE RMD REQUIREMENTS**

To help you satisfy the RMD requirements for the TDRA, Pension Fund calculates the amount of your RMD from each of your TDRA accounts and mails you a personalized statement each year. The statement shows the assumptions used to calculate your RMD and provides other information.

### **Your RMD Calculation**

The amount of your RMD is calculated by dividing your TDRA account balance as of the prior December 31 by your life expectancy. Life expectancy is the length of time the Internal Revenue Service (IRS) expects an individual to live.

Except in certain circumstances discussed below, Pension Fund uses the Uniform Lifetime Table to determine RMDs for TDRA members regardless of your marital status or whether or not you have designated a beneficiary. For your calculation each year, Pension Fund uses the life expectancy factor corresponding to your age on your birthday in that year.

UNIFORM LIFETIME TABLE			
Age	Factor	Age	Factor
70	27.4	93	9.6
71	26.5	94	9.1
72	25.6	95	8.6
73	24.7	96	8.1
74	23.8	97	7.6
75	22.9	98	7.1
76	22.0	99	6.7
77	21.2	100	6.3
78	20.3	101	5.9
79	19.5	102	5.5
80	18.7	103	5.2
81	17.9	104	4.9
82	17.1	105	4.5
83	16.3	106	4.2
84	15.5	107	3.9
85	14.8	108	3.7
86	14.1	109	3.4
87	13.4	110	3.1
88	12.7	111	2.9
89	12.0	112	2.6
90	11.4	113	2.4
91	10.8	114	2.1
92	10.2	115 & older	1.9

**EXAMPLE 1**

Assume you reached age 70 ½ on September 1, 2019, and you retire on February 1, 2020. You must receive your first RMD by April 1, 2021, to satisfy the RMD requirement for 2020. Because you will reach age 71 in 2020, the calculation will be based on the life expectancy factor corresponding to age 71, which is 26.5. Assume you have a TDRA balance of \$100,000 on December 31, 2019. Your RMD for 2020 will be:

12/31/2019 balance .....	\$100,000
Uniform Lifetime Table factor.....	<u>    26.5</u>
<b>2020 RMD .....</b>	<b>\$3,773.58</b>

Assume that this amount is distributed to you in December 2020. You must receive your second RMD by December 31, 2021. Your second RMD will be calculated using the factor corresponding to your age in 2021 (age 72), which is 25.6. Assume your TDRA balance on December 31, 2020 is \$97,226.26. Your RMD for 2021 will be:

12/31/2020 balance .....	\$97,226.26
Uniform Lifetime Table factor.....	<u>    25.6</u>
<b>2021 RMD .....</b>	<b>\$3,797.90</b>

Note that your RMD for a year will be *reduced* by the amount of any voluntary distributions you take that year from the TDRA before the RMD is distributed.

## Beneficiary Designations

In most cases, RMD calculations are based on the factors in the Uniform Lifetime Table. However, there is an exception if your sole designated beneficiary for the entire tax year is your spouse who is more than 10 years younger than you. In this case, your RMD will be calculated using the IRS Joint and Last Survivor Table, based on the joint life expectancy factors for both you and your spouse. This will result in a lower RMD payment. If Pension Fund does not have your spouse's date of birth on record, we will calculate your RMD using the Uniform Lifetime Table.

### EXAMPLE 2

Assume the same facts as Example 1, except that your spouse is your sole designated beneficiary and is age 55 in 2020. Your RMD for 2020 will be:

12/31/2019 balance .....	\$100,000
Joint and Last Survivor Table factor .....	<u>30.9</u>
<b>2020 RMD .....</b>	<b>\$3,236.25</b>

If you have not designated a beneficiary and want to do so, you must complete and return a *Beneficiary Designation Form*. This form can be found at [www.pensionfund.org/forms](http://www.pensionfund.org/forms) or you may request a copy from Pension Fund.

## Multiple TDRA Accounts

If you have more than one TDRA account, a RMD will be calculated on and distributed from each separate account. You may instead ask to have your entire RMD distributed from a specific TDRA account by completing a *TDRA Application for Required Minimum Distribution*. This form can be found at [www.pensionfund.org/forms](http://www.pensionfund.org/forms) or you may request a copy from Pension Fund.

## Default RMD Payment Schedule

If your required beginning date for RMDs is in 2020, you are not required to receive your first RMD until April 1, 2021. However, Pension Fund will automatically make the first RMD to you in November 2020, *unless you notify Pension Fund in writing that you wish to postpone the distribution.* To postpone your first RMD, complete and return the *TDRA Application for Required Minimum Distribution* postmarked no later than September 1, 2020.

After the first year, Pension Fund will automatically make the RMD to you in November of each year, unless you make an election to receive your RMD in a different form or time.

## MEMBER PAYMENT OPTIONS

Members may satisfy their RMDs in one of the following ways:

1. Elect to receive annual distributions from your TDRA account equal to your RMD for each year. Complete and return *TDRA Application for Required Minimum Distributions*.
2. Elect to receive installment payments from your TDRA account each year. Note that

unless the installment payment is equal to or greater than your RMD for a year, Pension Fund will distribute any additional amount needed to satisfy your RMD in November of that year. Complete and return *TDRA Application for Installment Payments*.

3. You always have the option to elect to receive the equivalent of your RMD as a lump sum payment. Complete and return *TDRA Application for One-Time Distribution*.

These forms can be found at [www.pensionfund.org/forms](http://www.pensionfund.org/forms) or you may request a copy from Pension Fund.

**Please note:** Unless you make an affirmative election to receive your TDRA account in one of the above ways, Pension Fund will follow its default process for distributing RMDs.

### **Installment Payments and Other Distributions**

If you are taking installment payments from the TDRA, or if you take a lump sum distribution from the TDRA, you may automatically satisfy or reduce your annual RMD. If Pension Fund records show that you have received prior distributions during the year, at the end of the year we will compare the total distributed during the year with your RMD and distribute only the remaining amount you need to satisfy the RMD for that year, if any.

## **SURVIVING BENEFICIARIES**

When you die, distributions to your beneficiaries must also satisfy the RMD rules. Different RMD rules apply depending on who you designate as your beneficiary. If your designated beneficiary is your surviving spouse, your minor child, or disabled or chronically ill, or if your beneficiary is not more than ten years younger than you, then Pension Fund will calculate RMDs using the life expectancy factors from the IRS Single Life Table. This may result in a different RMD amount than you received.

## **FEDERAL INCOME TAX WITHHOLDING**

RMDs are not eligible for direct or indirect rollover. You will owe federal income taxes on the amount distributed. By law, Pension Fund is required to withhold 10% of the distribution for federal income tax purposes, unless you either request more or no withholding. If you requested more or no withholding for the prior year's RMD payment, Pension Fund will continue to follow that election unless you make a new election this year.

Your options for federal tax withholding on your RMD are as follows:

1. Withhold 10%, the default withholding if you make no election (and do not have a previous election in place).
2. Elect to not withhold taxes.
3. Elect an additional dollar amount above the 10% withholding.

### EXAMPLE 3

Assume you want 15% withholding on your RMD. You would calculate the additional dollar amount as follows:

RMD for 2020 = \$2,432.00

10% Tax Withholding = \$243.20

15% Tax Withholding = \$364.80

Difference = \$121.60

You would need to write the difference (\$121.60) in Section IV of the *TDRA Application for Required Minimum Distributions* or in Section II of the *Substitute Form W-4P for RMDs*, as follows:

Pension Fund will withhold on required minimum distributions at 10%, unless you elect more withholding or no withholding from your distributions (*check one only*):

- Do NOT withhold federal income tax from any distribution.
- Additional dollar amount above 10%, if any, you want withheld from each distribution: \$ 1 2 1 . 6 0.

## STATE INCOME TAX WITHHOLDING

You may also owe state income taxes on the amount distributed. You will need to complete and return the state tax withholding certificate for your state of residence. If you do not return a completed certificate for your state, Pension Fund will apply your state's default tax withholding rules. If you reside in a state that requires mandatory withholding, Pension Fund will withhold the required amount. The following states currently mandate state income tax withholding: Arkansas, California, Connecticut, Delaware, Georgia, Iowa, Kansas, Maine, Maryland, Massachusetts, Michigan, Nebraska, North Carolina, Oklahoma, Oregon, Vermont, and Virginia, as well as the District of Columbia. For more information, refer to the state tax withholding form at [www.pensionfund.org/forms](http://www.pensionfund.org/forms) or request a copy from Pension Fund.

**Note:** *In some states, if federal income tax withholding is elected, state income tax must also be withheld. Pension Fund recommends that you consult a tax or financial advisor regarding the state income tax withholding rules that apply to you.*

### Tips for Processing Your RMD

Read all forms carefully and complete according to the instructions on the form. Forms not completed accurately may not be processed according to your instructions.

When filling out and submitting forms to Pension Fund, please do not include special instructions. Special requests must be submitted separately and in writing.

# QUESTIONS?

## Contact Pension Fund if:

- you have questions about your TDRA account;
- you receive a personalized RMD statement from Pension Plan, but are still working for your employer (and are not receiving Social Security or a pension from the Pension Plan); or
- you want to change your designated beneficiary.

If you have specific questions about your personal financial situation, you should consult an accountant or tax advisor. Pension Fund does not provide tax advice.



PO Box 6251 Indianapolis, Indiana 46206-6251 | [www.pensionfund.org](http://www.pensionfund.org) | 866.495.7322